

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral
SPONSOR: State Board of Equalization

BILL NUMBER: SB 1028
AUTHOR: L. Correa

BILL SUMMARY: State Board of Equalization: Administration: Interest

Under existing law, persons who pay their tax and fee obligations after the date they are due are required to pay a penalty of 10 percent of the tax, plus monthly, simple interest on those unpaid taxes. In the case of a late prepayment, the law imposes a 6 percent penalty. The current rate of interest for late payments is seven percent annually. Under current law, interest accrues on any unpaid tax, from the date the tax was due to the last day of the month in which it is paid. For example, if a taxpayer makes a late payment on the third of the month, interest would accrue to the end of that month.

Regardless of whether a taxpayer makes a tax payment two days after the return due date or at the end of the month following the due date, the taxpayer, under current law, is charged interest for the entire month. In the case of electronic funds transfers (EFT), a payment made after the 3:00 p.m. deadline is likewise subject to an entire month's interest charge.

Under existing law, the Board of Equalization (BOE) has authority to relieve a late payment penalty when the Board finds that the taxpayer's failure to make a timely payment is due to reasonable cause and circumstances beyond the person's control. However, interest on the late payment is generally not relievable, except in cases of a disaster or where the failure to pay the tax timely was due to an unreasonable error or delay by a BOE employee.

This bill, sponsored by BOE, would provide that, if the Members of the Board, meeting as a public body, find that it is inequitable to compute interest on a monthly basis when a taxpayer is only one day late in making a payment, interest shall be computed on a daily basis, provided all of the following apply:

- The payment of the tax or prepayment was made within one day after the date the tax or prepayment was due.
- The person was granted relief from all penalties that applied to that payment of tax or prepayment.
- The person files a request for an oral hearing before the Board.

The bill would become effective January 1, 2011.

FISCAL SUMMARY

Finance concurs with BOE estimates that some minor and absorbable costs would be incurred due to an increase in the number of cases coming before the Board with a corresponding increase in staff workload to prepare the cases for hearing.

The limited interest relief this bill would provide would result in annual interest loss of less than \$10,000.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

L. Correa

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COMMENTS

Finance notes the following with regard to this bill:

- This bill could encourage taxpayers who inadvertently missed the payment deadline by one day to pay tax promptly so that they could be considered for relief of the entire remaining month's interest charge.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
1149/Sale Use Tax	RV	No	----- No/Minor Fiscal Impact -----						0001